

Message Text

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44

ACTION SS-30

INFO OCT-01 ISO-00 CCO-00 SSO-00 NSCE-00 DODE-00 CIAE-00

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FM AMEMBASSY JIDDA

TO SECSTATE WASHDC IMMEDIATE 5280

INFO AMEMBASSY AMMAN IMMEDIATE

USINT ALGIERS IMMEDIATE

AMEMBASSY ABU DHABI IMMEDIATE

AMEMBASSY BEIRUT IMMEDIATE

USMISSION EC BRUSSELS IMMEDIATE

USINT CAIRO IMMEDIATE

AMEMBASSY KUWAIT IMMEDIATE

AMCONSUL DHAHRAN IMMEDIATE

AMEMBASSY LONDON IMMEDIATE

AMEMBASSY MANAMA IMMEDIATE

AMEMBASSY ROME IMMEDIATE

USMISSION OECD PARIS IMMEDIATE

AMEMBASSY SANAA IMMEDIATE

AMEMBASSY TEL AVIV IMMEDIATE

AMEMBASSY TOKYO IMMEDIATE

AMEMBASSY TRIPOLI IMMEDIATE

AMEMBASSY VIENNA IMMEDIATE

AMEMBASSY TUNIS IMMEDIATE

AMEMBASSY MOSCOW IMMEDIATE

C O N F I D E N T I A L SECTION 1 OF 2 JIDDA 4672

EXDIS

E.O. 11652: GDS

TAGS: ENRG, PFOR, SA, XF

SUBJECT: CEASE-FIRE HELPFUL BUT FULL IMPLEMENTATION

SC 242 ONLY SOLUTION TO END OIL EMBARGO

REF JIDDA 4653

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SUMMARY: ARAMCO PRESIDENT, IN TELEGRAM TO NEW YORK ABOUT

OCT 22 MEETING WITH SAG MINPET YAMANI,

BELIEVES SAG IS PREPARED TO RESORT TO FURTHER USE OF

OIL WEAPON--FOLLOWING OIL CUTOFF TO U.S.--LONG

AS SC 242 IS NOT FULLY RPT FULLY IMPLEMENTED. ASSURANCE BY OTHER MINISTRIES IN SAG TO US DEFENSE CONTRACTORS THAT THEY CAN CONTINUE THEIR WORK HERE REFLECTS THEIR REALISTIC NEED TO COOPERATE WITH U.S. SOURCES OF SUPPLY/TRAINING BUT WILL NOT CHANGE SAG APPROACH ON OIL FRONT. FOLLOW-THROUGH AND IMPLEMENTATION OF 1967 RESOLUTION WILL BE ONLY WAY SAG WILL BE PERSUADED LIFT PRODUCTION AND EMBARGO RESTRICTIONS, IN OPINION OF ARAMCO. EMBASSY REQUESTS SOURCE BE PROTECTED AND THAT OUR POSSESSION OF TELEGRAM NOT RPT NOT BE REVEALED TO PARENT COMPANIES UNLESS THEY INDICATE THEY HAVE BEEN TOLD BY ARAMCO COPY GIVEN TO EMBASSY. END SUMMARY.

1. FOLLOWING TELEGRAM SENT BY PRESIDENT JUNGERS TO JOHNSTON OF EXXON HAS BEEN RELAYED CONFIDENTIALLY TO EMBASSY. DEPARTMENT PLEASE OBSERVE ABOVE STRICTURES.

QUOTE ON REFLECTION I FELT THE REFERENCED CABLE NEEDED FURTHER COMMENTARY TO THAT YOU WOULD UNDERSTAND THE SITUATION AND OUR ASSESSMENT OF SAG'S POSITION. FIRST OF ALL THE MEETING ITSELF WAS A VERY FORMAL ONE IN STRUCTURE. YAMANI AND HIS COLLEAGUES WERE RANGED AROUND THE CONFERENCE TABLE WITH THEM ON ONE SIDE AND US ON THE OTHER, WITH YAMANI AT THE HEAD. THIS WAS APPARENTLY DONE DELIBERATELY TO IMPRESS UPON US THE GRAVITY OF THE SITUATION. THE ATMOSPHERE WAS QUITE HEAVY AND AS IT WAS POINTED OUT IN THE REFERENCED CABLE ALL OF THE SAUDIS, PARTICULARLY AMIR SADU, WERE GLUM AND DISILLUSIONED.

QUOTE THE SERIOUSNESS OF THE SITUATION WAS QUICKLY BROUGHT TO ME BY THE STRICTNESS OF THE INTERPRDTATION OF THE GOVERNMENT DIRECTIVES AND BY THE SAG PARTICIPANTS ATTITUDE THAT THE GREATER THE DAMAGE THIS DOES TO THE USA AND THE MORE IMMEDIATE DIRECT OR INDIRECT PRESSURE IT CREATES FOR USA THE BETTER IT WILL BE. FOR EXAMPLE, WHEN DISCUSSING EXEMPT COUNTRIES YAMANI SPECIFICALLY REMARKED IT WAS INTENDED THAT THESE CUTS BE FELT IN JAPAN AND ITALY. SINCE CONFIDENTIAL

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ITALY SUPPLIES FUEL OIL TO THE UNITED STATES IT WOULD BE AN OBVIOUS TARGET. HE ALSO STATED THAT NETHERLANDS MIGHT WELL REACH THE TOTAL EMBARGO LIST.

QUOTE IT WAS AT THIS MEETING THAT WE LEARNED FOR THE FIRST TIME THAT THE EMBARGO TO THE USA WAS TO CONSTITUTE AN ADDITIONAL REDUCTION IN TOTAL PRODUCTION. THE SAUDIS WERE NOT CONTENT TO LEAVE ANY LOOPHOLES FOR USA AND THUS QUICKLY WENT TO THE WESTERN AND BAHRAIN TRANSHIPMENT POINTS AS EMBARGOED DESTINATIONS ALSO AS WELL AS MILITARY DELIVERIES. THE SAUDIS WERE NOT CONTENT WITH THE POLITICAL IMPACT OF THE ANNOUNCEMENT OF THE EMBARGO ONLY BUT ARE TAKING MEASURES TO ACHIEVE THE PRACTICAL EFFECT OF

STOPPING THE FLOW OF OIL TO USA FROM ALL POINTS POSSIBLE.

QUOTE DESPITE THE GARVITY OF THIS SITUATION VIS-A-VIS THE UNITED STATES SAG APPEARED TO HAVE NO PARTICULAR PROBLEM IN TRUSTING ARAMCO TO ENFORCE THE RULES ONCE EXPLAINED. YAMANI SAID THAT THERE WAS NO NEED TO EVEN WRITE THE RULES DOWN IN A LETTER TO US UNLESS WE SO DESIRED. WE ASKED HIM TO GIVE US A WRITE-UP WHICH HE THEN ASKED SAQQA TO DO.

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QUOTE IT WAS ALSO VERY CLEAR IN THIS MEETING THAT IF THESE MEASURES DID NOT PRODUCE RESULTS THE SAUDIS HAVE OTHER AND DIFFERENC MEASURE IN STORE. YAMANI SAID IT WOULD NOT JUST BE MORE OF THE SAME. COMPLETE NATIONALIZATION OF ARAMCO IS NO DOUBT ON THE LIST OF OTHER MEASURES

THAT THE SAUDIS HAVE IN MIND AND THIS IS PROBABLY VERY
CLOSE TO THE TOP OF THE LIST OF NEXT STEPS. WE CAN NO
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LONGER TAKE COMFORT FROM THE PAST POSITION OF SAG THAT NATIONALIZATION WAS NOT ITS POLICY, JUST AS WE COULD TAKE NO COMFORT FROM STATEMENTS PRIOR TO THIS CRISIS THAT USE OF OIL AS A WEAPON WAS NOT SAG'S POLICY. EVENTS HAVE OVERTAKEN US SO RAPIDLY THAT IT WOULD BE A GRAVE ERROR TO ATTEMPT TO APPLY ANY OF THE PAST POLICY STATEMENTS TO THE PRESENT SITUATION. THE SURVIVAL OF THE SAUDI REGIME IS NOW AT STAKE IN PRESSURING THE UNITED STATES TO CHANGE ITS PRO-ISRAEL STANCE. HAVING USED THE OIL WEAPON THE SAUDIS ARE COMMITTED TO FOLLOW WITH ANY OTHER WEAPON AVAILABLE UNTIL THE RESULT IS ATTAINED. OTHER ARAB COUNTRIES, PARTICULARLY IRAQ AND SYRIA HAVE PUT PRESSURE ON SAG TO GO EVEN FURTHER. IRAQI RADIO STATIONS HAVE ATTACKED SAG FOR NOT USING THE OIL WEAPON EFFECTIVELY. IRAQ APPARENTLY MADE A THREE POINT PROPOSAL AT KUWAIT, NAMELY (1) LIQUIDATION OF ALL AMERICAN INTERESTS, PARTICULARLY OIL, BY NATIONALIZATION, (2) WITHDRAWAL OF ALL ARAB FUNDS FROM USA AND (3) SEVERANCE OF DIPLOMATIC AND ALL ECONOMIC RELATIONS WITH USA. INASMUCH AS SAG BLOCKED THEIR PROPOSALS IRAQ DID NOT SIGN AND IN FACT DID NOT EVEN ATTEND FINAL MEETING. ALL THIS IS IMPORTANT BECAUSE IT WILL BE A FORE-RUNNER OF THINGS TO COME IF PRESENT OIL BOYCOTT MEASURES ARE NOT DEEMED EFFECTIVE.

QUOTE THE IRAQI PRESS AND RADIO HAVE BEEN CARRYING ON A VICIOUS AND CONCENTRATED ATTACK ON THE SAUDI REGIME WITH ACCUSATIONS OF TREASON, PROTECTION OF USA INTERESTS, AND NON-PARTICIPATION IN THE WAR EFFORT. THE SYRIAN OIL MINISTER ISSUED A DIPLOMATICALLY-COUCHEDED STATEMENT TO THE EFFECT THAT THE SYRIANS HAD HOPED THAT ACTION ON THE OIL FRONT WOULD HAVE BEEN MORE DECISIVE. LEFTIST AND NATIONALIST ORGANIZATIONS ARE BEGINNING TO ECHO THE IRAQI CALL FOR NATIONALIZATION ALTHOUGH MOST OF THEM HAVE SO FAR REFRAINED FROM OPEN ATTACKS ON SAUDI ARABIA, AND THESE RESTRAINTS, CAUSED BY THE WAR, ARE NOT LIKELY TO PERSIST AFTER A CEASE-FIRE.

QUOTE YAMANI HAS IN THE PAST ENCOURAGED THE OTHER SHAREHOLDERS TO COME UP WITH SOME NEW INGENIOUS WAY OF HANDLING THE RELATIONSHIP BETWEEN THE TOMPANIES AND THE GOVERN-
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MENT THAT WOULD SBLVE THE 51 PERCENT PROBLEM RAISED BY LIBYA AND AT ISSUE IN KUWAIT. YAMANI MENTIONED THIS SAME THING TO AKINS LAST FRIDAY. THERE IS NO DOUBT THAT

THE 51 PERCENT IS A SORE POINT. AS YAMANI HAS SAID SEPARATELY TO BOTH ME AND AKINS, IF THE COMPANIES HAD OFFERED 51 PERCENT BEFORE LIBYA MOED IN WITH THIS DEMAND HE COULD HAVE STOOD PAT BUT NOW SOMETHING ELSE WILL HAVE TO BE ARRANGED.

QUOTE A POLITICAL ACT OF NATIONALIZATION WOULD NOT ONLY BE A BLOW AT USA INTERESTS BUT WOULD BE A METHOD OF SOLVING THIS OTHER PROBLEM THAT YAMANI HAS IN MIND.

TE THERE ARE PRGBABLY REPORTS COMING OUT OF SAUDI ARABIA THAT ARE NOT AS PESSIMISTIC AS THIS ONE AS WE UNDERSTAND THAT THE DEFENSE CONTRACTORS ARE BEING ENCOURAGED TO STAY ON THEIR JOBS OF ASSISTING THE SAUDI ARMED FORCES AND ARE BEING TOLD NOT TO WORRY ABOUT THESE POLITICAL MOVES. WE FEEL IT WOULD BE A MISTAKE TO BE INFLUENCED BY THESE MORE OPTIMISTIC REPORTS. MOTIVE BEHIND SAUDI ASSURANCES TO DEFENSE CONTRACTORS IS TO MAINTAIN EFFECTIVENESS OF SAUDI ARMED FORCES, WHICH HEAVILY DEPENDENT ON THEM, AND TO DO THIS THEY MUST TAKE RELATIVELY PRO-USA STAND IN THIS ONE RESTRICTED AREA. THIS, HOWEVER, CANNOT BE EXPECTED TO CARRY OVER INTO FAR WIDER FIELD OF OIL SUPPLY AND INTERNATIONAL RELATIONS. IN OTHER WORDS, KIND WORDS TO DEFENSE CONTRACTORS DO NOT SIMPLY ANY SOFTENING OF SAUDI POSITION TOWARDS USG ITSELF.

QUOTE WE HAVE JUST RECEIVED NEWS OF THE PASSAGE OF THE UN RESOLUTION CALLING FOR A CEASE-FIRE THIS EVENING AND OTHER MEASURES. THIS IS AN ENCOURAGING MOVE IN THE RIGHT DIRECTION BUT WE SHOULD GUARD AGAINST UNWARRANTED OPTIMISM, PARTICULARLY AGAINST EXPECTING AN EARLY LIFTING OF THE PRODUCTION AND DELIVERY RESTRICTIONS. A CEASE-FIRE, EVEN IF ACCEPTED BY ALL PARTIES, WOULD BE RELATIVELY MEANINGLESS. WHAT WILL BE REQUIRED IS SOME FOLLOW-THROUGH AND IMPLEMENTATION AND ENFORCEMENT OF THE ENTIRE TERMS OF THE RESOLUTION (WHICH IN TURN REQUIRES IMPLEMENTATION OF THE 1967 RESOLUTION). ONLY THIS WOULD DEMONSTRATE
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TO RADICALS THAT SAUDI USE OF THE OIL WEAPON HAD BEEN SUCCESSFUL IN PART AT LEAST AND THUS ENABLE SAG NOT TO IMPOSE ADDITIONAL RESTRICTIONS. JUNGERS. END QUOTE.

2. COMMENT: OPINION GIVEN IN THIS TELEGRAM TO PARENT COMPANIES APPEARS TO BE BORNE OUT BY CONTACTS OF EMBASSY REPRESENTATIVES AND OTHERS WITH OFFICIALS IN RIYADH. ONLY GUARDED OPTIMISM ABOUT POSSIBLE FINAL STEELEMENT HAS BEEN REGISTERED WITH US.
AKINS

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ALGIERS
ABU DHABI
BEIRUT
EC BRUSSELS
CAIRO
KUWAIT

DHAHRAN
LONDON
MANAMA
ROME
OECD PARIS
SANAA
TEL AVIV
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